

February 1, 2019

VIA CERTIFIED MAIL AND EMAIL

James L. Snyder
Office of the United States Trustee
450 Golden Gate Ave., 5th Floor
Suite #05-0153
San Francisco, CA 94102

Re: *In re: PG&E Corporation, Case No. 19-30088 and Pacific Gas and Electric Company, Case No. 19-30089*

Dear Mr. Snyder,

On behalf of Governor Gavin Newsom, we write to request that you exercise your authority under the U.S. Bankruptcy Code to ensure that wildfire victims, employees, and customers are appropriately represented in the chapter 11 cases filed by PG&E Corporation and Pacific Gas and Electric Company (collectively, "PG&E") in the United States Bankruptcy Court for the Northern District of California. These proceedings will have direct and profound impacts on the people of the State of California, including wildfire victims who have claims against the company that must be resolved fairly and equitably, PG&E employees who are vital to maintain energy delivery and protect the safety of our communities, and the company's customers who deserve clean, safe, reliable, and affordable energy. It is imperative to the fair resolution of the PG&E cases that these constituencies have a strong voice from the very outset of the proceedings. To that end, as you are making decisions regarding the composition of the official committee(s), we urge you to provide fire victims, employees, and customers with substantial representation in these cases.

Chapter 11 of the Bankruptcy Code authorizes the United States Trustee to appoint one or more creditors' committees to represent unsecured creditors, and affords these committees significant power, including the ability to negotiate a plan of reorganization with the debtor and the ability to represent the interests of their constituencies. The purpose of a creditors' committee is to act as a watchdog on behalf of the larger body of creditors which it represents.¹ In the PG&E cases, it is crucial that the structure of the official committee(s) take into account both the short-term case specific issues and the longer-term need to ensure a feasible utility that can serve the needs of California. The formation and composition of the creditors' committee is critically important in assuring that investor interest in maximizing recovery does not push aside the interests of wildfire victims, employees, customers, and other residents who are not just impacted by the

¹ *Advisory Comm. of Major Funding Corp. v. Sommers (In re Advisory Comm. of Major Funding Corp.)*, 109 F. 3d 219, 224 (5th Cir. 1997) ("Creditor Committees have the responsibility to protect the interest of the creditors, in essence, 'the function of a creditors' committee is to act as a watchdog on behalf of the larger body of creditors which it represents.'") (quoting *In re AKF Foods, Inc.* 36 B.R. 288, 289 (Bankr. E.D.N.Y. 1984)).

immediate outcome of the case, but also by the future of the utility.² PG&E's financial creditors certainly deserve representation in the chapter 11 cases, but most are sophisticated entities with substantial experience and resources at their disposal. The same cannot be said for the wildfire victims, PG&E employees, ratepayers, and other impacted residents.

PG&E's first day filings and statements on the record make clear that it intends to use the statutory framework and tools available through chapter 11 to address the claims of wildfire victims.³ The wildfires that ravaged California in 2017 and 2018 caused unprecedented loss of life and destruction, burned hundreds of thousands of acres, decimated entire towns, and destroyed tens of thousands of homes. Months later, many victims are still living in shelters or other temporary housing while struggling to remake lives forever changed by the devastation wrought by the fires. PG&E stopped making settlement payments prior to the filing of the chapter 11 cases and made it clear on the record that it intends to use the chapter 11 cases to resolve wildfire claims through an expedited claims process to be developed during the chapter 11 cases. Most vulnerable in this process are the wildfire victims who were uninsured, underinsured or have potential claims against the company for personal injury and wrongful death. These individual victims should not be left to fend for themselves in a creditor class outnumbered by sophisticated and deep-pocketed financial institutions and insurance companies.

PG&E took steps in its first day filings to ensure that its employees continue to receive their wages and benefits. Nonetheless, PG&E employees also must have a voice in the future of PG&E as it emerges from these proceedings. From engineers to electrical workers to the men and women working around the clock to fire harden PG&E's electrical grid before next fire season, PG&E employees are critical to the current and future operations of the company. PG&E's employees care deeply about the long-term future of the company and should be heard in this bankruptcy proceeding.

PG&E's customers likewise deserve a strong voice in the chapter 11 cases. They have a vested interest not just in the proceedings, but in their continued access to safe, reliable, and affordable power. While we recognize that in the previous case, a request for a ratepayer committee was denied because ratepayers were not considered unsecured

² We also note that cities and counties in Northern California have formed an ad hoc group and are seeking committee status. The municipal governments are an important constituency in the case with a vested long-term interest in having an accountable and well-governed utility to provide service in their communities. They too should be recognized in the committee formation process. In addition, in other cases where tort claimants have not been appropriately represented, such claimants have been forced to resort to seeking a separate committee. See, e.g., Motion of Ad Hoc Committee of Consumer Victims of General Motors for Appointment of Official Committee of Tort Claimants Pursuant to 11 U.S.C. § 1102(a)(2) at *5, *In re Gen. Motors, Inc.*, No. 09-50026 (Bankr. S.D.N.Y. June 2, 2009), ECF No. 287.

³ See Declaration of Jason P. Wells in Support of First Day Motions and Related Relief, *In re PG&E Corporation*, No. 19-30088 (Bankr. N.D. Cal. Jan 29, 2019), ECF No. 28.

creditors, we believe that many of PG&E's customers may assert claims against PG&E and are certainly a critically important constituency in the chapter 11 cases.

In sum, the Governor urges the Office of the United States Trustee to structure the official committee(s) in this case to provide significant representation, either through separate committees or significant representation on one committee, to the people who need it most: wildfire victims, employees, and customers. To the extent you elect to establish a single committee to represent unsecured creditors, the composition of such committee should provide for majority representation by stakeholders with a vested interest in the long-term needs of California. We appreciate your consideration of this important issue.

Very truly yours,



Nancy A. Mitchell

cc:

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